

# THE WATCHDOG

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A Periodic Newsletter from the Office of the United States Trustee  
Region 16 - Central District of California  
July 2008 - Issue No. 20  
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## INSIDE:

News from the Court  
Case Filing Information  
Operation "Malicious Mortgage"  
Civil and Criminal News  
A Trustee Profile  
and a Message from the United States Trustee

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## Important Links:

[www.usdoj.gov/ust/r16](http://www.usdoj.gov/ust/r16) provides a wealth of information on Region 16. There's a page devoted to each of the field offices; Los Angeles, Riverside, Santa Ana, Woodland Hills and its Santa Barbara satellite office. You can find maps to the office and meeting rooms, parking information, and a staff directory with phone numbers. Find out about a variety of topics like "Brown Bag" Training series, local forms and references, how to submit criminal complaints fraud and report identity theft, public notices and local policies. A quick click on the "What's New" link will show you what documents have been added or updated.

You can use the "Email Us" link to create an email addressed to us. Email us with questions or comments about the web page, or with questions about bankruptcy topics. Please do not submit a complaint or fraud complaint this way - follow the instructions on the "Complaints" page. Always keep in mind that we cannot provide legal advice.

[www.cacb.uscourts.gov/](http://www.cacb.uscourts.gov/) will link you directly with the U.S. Bankruptcy Court - Central District of California.

Visit the U.S. Trustee Program's website, [www.usdoj.gov/ust/](http://www.usdoj.gov/ust/). It's loaded with information on the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005

## **For information on:**

- Means Testing forms and IRS Standards
- Credit Counseling & Debtor Education
- State Domestic Support Enforcement Agencies
- Data Enabled Form Standard

## **You can also find:**

- Annual Reports
- Bankruptcy Statistics
- Press Releases
- Testimony & Statements

Questions for Region 16 can be directed to: [www.ustp.region16@usdoj.gov](mailto:www.ustp.region16@usdoj.gov)



Please contact us with suggestions and topics. To make sure you are included in our "subscriber" data base, please e-mail your address to the address above and put "WATCHDOG" in your subject line.

## **Watchdog Staff**

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## A MESSAGE FROM UNITED STATES TRUSTEE PETER C. ANDERSON

Much change has come to us in the last six months, and much can be expected in the near future:

- Debtor Audits resumed as of May 12<sup>th</sup>, albeit at a reduced rate;
- Implementation and training for Chapter 7 Trustee form No Asset Reports and form Final Reports will occur in the coming months;
- The Comment Period for new form Final Reports in both chapter 7 and 13 has expired, and implementation should occur later this year;
- All the United States Trustee Offices in this Region have implemented Streamlining Guidelines, including the use of greater discretion in the filing of motions to dismiss;
- Consent was given to accept service of process by electronic means, except in certain limited circumstances;
- Case filings, by any measure, have doubled in comparison to the last fiscal year; and,
- Distributions from Chapter 7 Estates in the Central District for the calendar year 2007 approximated \$260,000,000, which was about 8% of all distributions in the country.

This Office has undertaken great efforts in community education and outreach:

- The Los Angeles Office was honored to host in April, the semi-annual United States Trustee Meeting, which was attended by all of the United States Trustees from all over the country, along with the Program Director, Deputy Director, Associate

Director, and other Executive Office Staff. The event is an educational event, was highly successful, and included a farewell dinner for former United States Trustee Steven J. Katzman;

- Staff from the Los Angeles Office, including Assistant United States Trustee Jill Sturtevant, Trial Attorney Kenneth Lau, and Analyst Phillip Green, was honored to present a program on Means Testing before the membership of the Central District Consumer Bankruptcy Attorneys Association in April. It is hoped that this will become an annual educational program;
- Assistant United States Trustee Jill Sturtevant spoke on a panel of the financial Lawyers Association in January on the role of the United States Trustee Program in healthcare bankruptcy cases; and,
- The annual Chapter 13 and Chapter 7 Trustee training programs occurred in May.

This Office has worked to protect the integrity of the bankruptcy system and fight abuse:

- The Office regularly hosts Bankruptcy Crime Working Group Meetings in Los Angeles, Orange County, and Riverside, which are attended by many federal agencies, and hosts Bankruptcy Crime Educational Training for all agencies which request assistance;
- The Offices devote significant resources to the investigation and referral of Bankruptcy crimes and the coordination of efforts and resources with other state and federal agencies and the Los Angeles City Attorney's Office. Important criminal convictions/sentencings have occurred, including the Eoff and Witherspoon

sentencings detailed elsewhere in this report;

- The Offices regularly review proofs of claim forms to protect all parties in interest;
- In the first six months of fiscal year 2008, Offices in this Region filed 52 motions for disgorgement professional fees. 38 motions under Section 329 were granted and the amount of fees disgorged approximated \$138,000;
- In the first six months of fiscal year 2008, Offices in this Region filed 37 motions against Bankruptcy Petition Preparers under Section 110. 45 such motions were granted during the same period (including motions filed before said period, but granted within said period). The fines imposed were \$62,600 and the fees recovered exceeded \$20,000. Six (6) injunctions were also obtained; and

- AUST Jennifer Braun worked with the Los Angeles City Attorneys Office by consulting on 11 U.S.C. § 110, and supplying bankruptcy documents and recordings, to assist in the charging of a bankruptcy petition preparer for crimes that included fraud and the unlicensed practice of law.

The Offices have worked to protect the public by regularly seeking the appointment of privacy and healthcare ombudsman, where appropriate, to protect privacy rights and insure proper patient care.

We in Region 16 look forward to coming challenges and working together to implement and fine tune change for the benefit of all concerned.

*Peter C. Anderson*  
United States Trustee

## CENTRAL DISTRICT CASE FILING INFORMATION

<u>Chapter 7</u>		<u>Chapter 11</u>		<u>Chapter 13</u>	
October	2794	October	42	October	934
November	2495	November	31	November	866
December	2535	December	40	December	747
January	2696	January	34	January	1047
February	2988	February	36	February	867
March	3493	March	31	March	930
April	3918	April	46	April	1167
May	3998	May	65	May	1213



## REPORT FROM THE U.S.B.C.

L.Charmayne Mills, Assistant U.S. Trustee

### U.S. Trustee to Receive Electronic Filings

As many of you know, effective April 1, 2008, The United States Trustee elected to receive electronic notice and service of most documents filed with the United States Bankruptcy Court for the Central District of California. This applies to all bankruptcy cases regardless of petition date, and in all adversary proceedings filed on or after April 1, 2008. Specific guidelines can be found in Public Notice 08-0007. Please note that this consent does not apply when a person or entity is serving the United States Trustee or any of the U.S. Trustee Staff in their capacity as individuals. Other exceptions to electronic notice and service are:

- Proposed Orders or Judgments
- Complaints Served Upon the United States Trustee as a Defendant
- Other Documents Specified in the Court's CM/ECF Administrative Procedures or
- Local Bankruptcy Rules(LBR) relevant to Electronic Notice and Service.
- Special Situations –
  - Documents exceeding 50 pages in length
  - All Requests to Hear Matters on Emergency Basis or Shortened Notice, or for Relief Without Hearing
  - Any Document Filed within 10 Days of a Hearing
  - Individual Capacity Matters

Persons or entities filing the documents listed above must also serve the United States Trustee by U.S. mail, overnight mail,

Federal Express, or courier on or before the date the document is filed. The proof of service must indicate that the U.S. Trustee was served via one of the foregoing forms of service.

If you have questions regarding electronic notice and service, you should contact the Court's Electronic Case Filing (ECF) Help Desk at (213) 894-2365

## OPERATION "MALICIOUS MORTGAGE"

*The following is a press release issued by the Department of Justice on June 19, 2008.*

### More Than 400 Defendants Charged for Roles in Mortgage Fraud Schemes as Part of Operation "Malicious Mortgage"

#### *Two Senior Managers of Failed Bear Stearns Hedge Funds Indicted Today in Separate Mortgage-Related Securities Fraud Case*

WASHINGTON – The Department of Justice and Federal Bureau of Investigation (FBI) announced today a national takedown of mortgage fraud schemes, the culmination of substantial coordinated efforts during the last three and a half months to identify, arrest and prosecute mortgage fraud violators through the United States. Operation Malicious Mortgage highlights the strong enforcement response undertaken by the Department of Justice and its law enforcement partners to combat the threat mortgage fraud poses to the U.S. housing industry and worldwide credit markets.

From March 1 to June 18, 2008, Operation Malicious Mortgage resulted in 144 mortgage fraud cases in which 406 defendants were charged. Yesterday, 60

arrests were made in mortgage fraud-related cases in 15 districts. Charges in Operation Malicious Mortgage cases were brought in every region of the United States and in more than 50 judicial districts by U.S. Attorneys' Offices based upon the law enforcement and investigative efforts of participating law enforcement agencies. The FBI estimates that approximately \$1 billion in losses were inflicted by the mortgage fraud schemes employed in these cases.

In addition to fraud directly related to individual mortgages, the Department is committed to investigating and prosecuting cases of mortgage-related securities fraud. Today, the U.S. Attorney's Office for the Eastern District of New York announced an indictment against two senior managers of failed Bear Stearns hedge funds, charging Ralph Cioffi and Mathew Tannin with conspiracy, securities fraud and wire fraud. Cioffi was also charged with insider trading. The indictment alleges that the managers marketed the two funds as a low risk strategy, backed by a pool of debt securities such as mortgages. The indictment alleges that by March 2007, the managers believed the funds were in grave condition and at risk of collapse, but made misrepresentations to stave off investor withdrawal. The funds subsequently collapsed in the summer of 2007 resulting in approximately \$1.4 billion in losses to investors.

"Mortgage fraud and related securities fraud pose a significant threat to our economy, to the stability of our nation's housing market and to the peace of mind of millions of American homeowners," said Deputy Attorney General Mark R. Filip. "Operation Malicious Mortgage and our other mortgage-related enforcement actions demonstrate the Justice Department's commitment and determination to combat

these criminal schemes, hold their perpetrators accountable and help restore stability and confidence in our housing and credit markets."

"Operation Malicious Mortgage is a concerted, joint law enforcement and prosecutorial effort aimed at disrupting individuals and groups engaged in mortgage fraud," said FBI Director Robert S. Mueller, III. "This operation is an example of our unified commitment to address this significant crime problem. The FBI will continue to direct investigative and analytic resources towards mortgage fraud and corporate securities fraud that threaten our nation's economy."

Operation Malicious Mortgage represents the joint collaborative efforts of the FBI, U.S. Postal Inspection Service, Internal Revenue Service-Criminal Investigation Division, U.S. Immigration and Customs Enforcement, U.S. Secret Service, U.S. Trustee Program, Department of Housing and Urban Development Office of the Inspector General, Department of Veterans Affairs Office of the Inspector General, and Federal Deposit Insurance Corporation Office of the Inspector General. Operation Malicious Mortgage is the most recent coordinated sweep in an ongoing law enforcement effort to combat mortgage fraud, which also included Operation Continued Action in 2004 and Operation Quick Flip in 2005.

Mortgage frauds employ a variety of tactics including misrepresentations, deceit and other criminal abuses to fund, purchase or insure mortgage loans. Operation Malicious Mortgage addresses primarily three types of mortgage fraud schemes: lending fraud, foreclosure rescue scams and mortgage-related bankruptcy schemes. Lending fraud frequently



involves multiple loan transactions in which industry professionals construct mortgage transactions based on gross fraudulent misrepresentations about the borrower's financial status, such as overstating the borrower's income or assets, using false or fictitious employment records or inflating property values. Foreclosure rescue scams involve criminals who target legitimate homeowners in dire financial circumstances and fraudulently collect fees for foreclosure prevention services or obtain ownership interests in residential properties. Both of these fraudulent mortgage schemes may be furthered by filing bankruptcy petitions that automatically stay foreclosure.

The President's Corporate Fraud Task Force, chaired by Deputy Attorney General Filip, is also responding to issues raised by mortgage fraud in the corporate sector. Created in 2002 to investigate and prosecute significant financial crimes, the Task Force includes representatives from ten federal departments, commissions and agencies, in addition to seven U.S. Attorney's Offices and two Divisions within the Department of Justice, combining the experience of thousands of investigators, attorneys, accountants and regulatory experts. Since July 2002, the Department of Justice has obtained nearly 1,300 corporate fraud convictions, including the convictions of more than 200 chief executive officers and corporate presidents, more than 120 corporate vice presidents and more than 50 chief financial officers.

An indictment is not evidence of guilt. All persons charged with a crime are presumed innocent until proven guilty beyond a reasonable doubt.

## TRUSTEE PROFILE - Chris Barclay



In March 2004 when the panel was last expanded, **CHRIS BARCLAY** was appointed to the chapter 7 trustee panel in the Riverside

Division. Mr. Barclay finds the work challenging and rewarding. Prior to his appointment to the panel, Mr. Barclay's career was principally focused on accounting and business consulting assignments. In 1984, he earned a bachelors degree in economics from California State University at Fullerton. Shortly thereafter, Mr. Barclay took a few accounting courses and became interested in public accounting. His first public accounting position was with an Irvine based firm owned by one of his instructors at CSUF. In 1986, Mr. Barclay became a certified public accountant. In 1988, he graduated from California State University at San Diego and was conferred a masters degree in economics. Mr. Barclay's work in public accounting includes audits and other financial statement services, tax return preparation and small business consulting assignments with a specialty in business valuation.

In 1987, Mr. Barclay was employed at the largest local accounting firm in San Diego. His introduction into bankruptcy administration occurred when one of the

partners of the firm, Ronald Sutter, worked in the insolvency arena and requested Mr. Barclay's assistance with a difficult case. The firm had been retained by a trustee to prepare tax returns for an older bankruptcy estate, Yellow Cab Co. of California, which had been filed in 1977 under the Bankruptcy Act. This was Mr. Barclay's first exposure to insolvency related work and he found it both interesting and challenging. In 1992, Mr. Barclay joined the San Diego firm of Bruno Mack & Associates. In 1994 he became an owner of the firm, which eventually became Mack Barclay, Inc.

Over time, Mr. Barclay devoted more and more of his efforts to insolvency related matters. He performed assignments as examiner, responsible natural person and financial advisor. Mr. Barclay acted as examiner with expanded powers in the Pfeiffer & Company case which was subsequently sold to a subsidiary of Simon & Schuster. He later operated Lynx Golf, Inc. as responsible natural person and sold it to the national golf equipment retailer, Golfsmith. More recently, Mr. Barclay served as responsible natural person in the Metabolife International case, which involved more than 360 personal injury and wrongful death lawsuits and asserted claims totaling \$1.5 billion.

In 2003, Mr. Barclay and another member of his firm headed up the opening of an office in Costa Mesa, CA. In May 2006, Mr. Barclay's firm was acquired by LECG, LLC and he became employed as a Director. Today, Mr. Barclay's time is principally devoted to his trustee operation and related

fiduciary services, and providing forensic accounting investigation services.

Mr. Barclay is married and has four children. When he is not taken up with youth soccer or college preparation, Mr. Barclay enjoys sailing. His eldest daughter is captain of the women's sailing team at Cal. Mr. Barclay owns two wooden boats: a 1956 Lightning, which he sails annually in the Sierras on Huntington Lake, and a 1960 Kettenburg K40. Mr. Barclay states that he races in the K40 on occasion. He finished 6<sup>th</sup> (based on corrected time) out of 23 boats in this division of the 2008 Newport to Ensenada race, sailing the entire length of the course in just over 44 hours—ship ahoy mate!

### Anatomy of a Mega Case

On January 8, 2008, the United States Trustee appointed Howard Ehrenberg, a chapter 7 trustee with more than thirteen years of experience, to be the trustee in the chapter 7 corporate filing of Axium International, as well as the chapter 7 cases of 36 affiliated corporate entities (the "Debtors") The Debtors provided payroll and staffing services for the entertainment industry and Fortune 500 companies.

Trustee Ehrenberg advised us with regard to the days immediately following the filings, "the situation was extremely chaotic with hundreds of calls flooding into my office. I set up an e-mail address and a phone extension to try to handle the volume of calls and inquiries."



Trustee Ehrenberg determined that the main cause for the bankruptcy filings was that the Debtors' secured creditor had swept \$28 million dollars from their bank accounts on January 4 and 7, leaving the Debtors with no funds whatsoever. In fact, according to Trustee Ehrenberg, e-mails were sent to more than 1,000 employees telling them not to come to work.

Trustee Ehrenberg immediately recognized that if there was any goodwill value to salvage from the companies, he needed to sell the Debtors' assets immediately. Because the estate had no funds in its bank accounts as of the filing date, Trustee Ehrenberg used his resources and located entities who had knowledge of the Debtor's two primary businesses and who had expressed an interest in acquiring the remaining assets. This allowed the Trustee to maintain the status quo, which meant keeping the computer systems operating for the benefit of customers. With exceptional help from the court, after hours of hearing the concerns of the customers regarding protection of confidential data and social security numbers, Trustee Ehrenberg conducted two separate auction sales in court, generating in excess of \$14 million dollars. Although most of the funds were turned over to the secured creditor, a carve-out was negotiated for the expenses associated with the sales for the estate. As stated by Trustee Ehrenberg, "at least now I have access to some funds to administer the estate."

In addition to the auction sales, Trustee Ehrenberg resolved a major issue in the case, by issuing approximately 140,000 W-2 and T-4 forms (in Canada). This was accomplished with the cooperation of one of the potential auction bidders, who put up the funds to pay for the forms and

envelopes, and by Trustee Ehrenberg, whose law firm put up the money for postage. The W-2's and T-4s were issued by February 15.

In the days and weeks since the initial bankruptcy filings on January 8, 2008, Trustee Ehrenberg has: (1) collected more than 10,000 boxes of records from offices all over the country; (2) consolidated and moved more than 200 servers hosted at data centers on both coasts; (3) rejected all executory contracts and vacated several offices; and (4) recovered Bentley, Maserati and Aston Martin automobiles driven by the Debtors principals (only the Bentley had equity and was sold at a Bankruptcy Court auction).

Concurrently with these events, Trustee Ehrenberg directed the investigation of how a company that processed \$3 billion dollars in payroll in 2007 could have shut down overnight? "How could these Debtors owe the IRS approximately \$100 million dollars in unpaid payroll taxes".

Since the filings, the secured creditor filed a lawsuit in Federal court against the primary principals and their spouses alleging multiple counts of fraud. Customers were pleading with Trustee Ehrenberg to get the funds back from the secured creditor who swept the accounts. Everyone is asking how all of this could have been missed by the auditors.

Trustee Ehrenberg is now in the process of interviewing professionals with specific specialties to assist him in investigating all of the potential claims owned by the bankruptcy estates. So far, he has employed general bankruptcy counsel, forensic accountants and tax accountants. He has discovered multiple layers of insurance and is trying to determine if the estate can make

claims under them. Additionally, accounts receivable need to be collected and an analysis must be done with regard to potential preferential transfers.

Trustee Ehrenberg stated that “this case has by far been the most complicated multi-faceted assignment I have encountered. My goal, of course, is to pursue all avenues of recovery to enable a dividend to be made to the former employees, production companies and staffing vendors who have lost tens of millions of dollars. I have a meeting with my ‘team’ nearly every week to keep track of all the matters requiring attention. The United States Trustee and his staff have been very supportive and I have received many useful suggestions for how to approach certain issues. Several times I have previewed ideas with the United States Trustee and his representatives and received meaningful feedback. The court has granted several cash disbursement motions and has been extremely accommodating to allow matters to be heard quickly. The clerk’s office is treating this as a mega case, necessitating the employment of a claims processor.”

In concluding over interview with Trustee Ehrenberg, he said that “while this case has a long way to go, I want to thank everyone involved for working together to liquidate the assets of these bankruptcy estates in lightening speed, preserve the books and records, organize the administration of the case, and investigate potential recoveries.”

## CRIMINAL ENFORCEMENT NEWS

### *Debtor Sentenced to 20 Months in Prison for False Statements in Four Cases*

On May 21 in the Central District of California, Anita D. Witherspoon was sentenced to 20 months in prison and ordered to pay restitution of \$29,122, after pleading guilty to four counts of making false statements in bankruptcy. Between 2002 and 2004, Witherspoon filed four bankruptcy cases—two in her name, one in her father’s name, and one in her mother’s name. In the cases filed in Witherspoon’s name, she made false statements and/or failed to disclose assets. The Los Angeles Regional Analyst and the Regional Criminal Enforcement Coordinator provided substantial assistance to the USAO and SSA-OIG during their investigation.

### *Debtor Sentenced to Three years Probation for Use of False SSN*

On May 15 in the Central District of California, Linda Lee Chamberlain aka Linda Lee Eoff was sentenced to three years probation and ordered to pay \$190,902 in restitution. Chamberlain had previously pleaded guilty fraudulently using a Social Security number. Although Chamberlain’s birth name was Linda Lee Eoff, a few years after her birth her name was legally changed to Linda Lee Chamberlain. In 1974, Chamberlain submitted an application to the Commissioner of Social Security on which she stated that her name was Linda Lee Eoff. The Commissioner of Social Security issued her a social security number in that name. In 2001, defendant applied for Social Security Administration Disability Insurance Benefits (DIB) using the name of Linda Lee Eoff and the Social Security number she had obtained in that name.

Defendant's application for disability benefits was approved and between 2002 and 2004, she received \$35,745 in DIB. Additionally, between 1977 and 2004, Chamberlain also received \$190,902 in Social Security benefit payments to which she was not entitled. The Los Angeles Regional Analyst and the Regional Criminal Enforcement Coordinator provided substantial assistance to the USAO and SSA-OIG during their investigation.

### ***Two Men Charged with State Crimes for Foreclosure Relief Scheme***

On April 21 in the Los Angeles County Superior Court, Michael D. "Mickey" Henschel and Alan Mitchell were arraigned on 71 counts and 63 counts, respectively, in connection with their alleged operation of a foreclosure relief scheme. A felony complaint filed by the Los Angeles District Attorney's office charged the two defendants with crimes including conspiracy to commit equity purchase fraud, grand theft, forging grant deeds transferring fractionalized interests in real properties, and recording false instruments. The U.S. Trustee's Woodland Hills office and the Regional Bankruptcy Fraud Coordinator in Los Angeles provided technical assistance regarding bankruptcy law.

## **CIVIL ENFORCEMENT NEWS**

### ***New Job? No Discharge! Dismissal Prevents Chapter 7 Discharge of \$128,454 in Unsecured Debt***

On May 8, the Bankruptcy Court for the Central District of California dismissed the case of a debtor, preventing the chapter 7 discharge of \$128,454 in unsecured debt. The U.S. Trustee's Santa Ana office sought dismissal based on the totality of the

circumstances under 11 U.S.C. § 707(b) (3) (B). Although the debtor's means test form reflected gross monthly income of \$5,841, she had recently obtained employment at \$10,166 per month. Taking into account her increased income and certain adjustments to expenses, the debtor had the ability to repay a substantial portion of her debt through a chapter 13 plan.

### ***No really, what did you do with the money? Dismissal Prevents Chapter 7 Discharge of \$228,000 in Unsecured Debt***



On March 18, the Bankruptcy Court for the Central District of California dismissed the case of a debtor, preventing the chapter 7 discharge of \$228,000 in unsecured debt. In her bankruptcy papers, the debtor listed \$2,400 in personal property, no real property, and \$221,000 in unsecured debt charged on 16 credit cards. The U.S. Trustee's Woodland Hills office sought dismissal for bad faith under 11 U.S.C. § 707(b) after the debtor was unable to explain most of the credit card charges or how she intended to pay the debt.

### ***House? What house? Discharge Waived by Debtor Who Concealed Home***

On February 22, the Bankruptcy Court for the Central District of California entered a stipulated order in which a debtor waived her chapter 7 discharge, after the U.S. Trustee's Woodland Hills office sought denial of discharge for concealment of property and false oaths. In the six months before filing bankruptcy, the debtor obtained a \$600,000 loan and a \$120,000 line of credit secured by her home in an upscale residential area. When she filed bankruptcy, however, she used a mail box drop as her street address, stated she owned no real property and had not transferred any

security interests in property, and failed to list any creditors relating to the real property. The chapter 7 trustee is negotiating the repayment of 100 percent of her unsecured debt.

***Your Honor, We Need a Trustee! Trustee Appointed Due to State Order Against Chapter 11 Debtor, Sole Officer***

On January 30, the Bankruptcy Court for the Central District of California ordered the appointment of a trustee in the chapter 11 case, after the debtor stipulated to the appointment. The U.S. Trustee's Woodland Hills office sought the trustee's appointment based on a Temporary Order of Prohibition issued by the Illinois Secretary of State. The State found the debtor and its sole officer was engaged in massive fraud by obtaining over \$10 million from investors through multiple misrepresentations, false financial statements, and continued acts of deception. It also found that \$2.8 million of the invested funds were transferred directly to the officer. The U.S. Trustee argued that appointment of a trustee was warranted by the officer's dishonesty and gross mismanagement, as well as the debtor's lack of progress toward reorganization.

***Why not just tell us that the Business is closed? Consent Denial Prevents Chapter 7 Discharge of \$103,717 in Unsecured Debt***

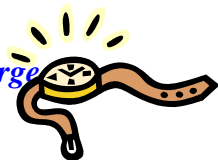
The Bankruptcy Court for the Central District of California on December 14 approved a stipulation between the U.S. Trustee's Los Angeles office and a debtor, denying the debtor's discharge of \$103,717 in unsecured debt. The debtor failed to maintain books and records for his business, failed to explain a loss of assets in connection with \$103,717 in credit card debt, and made a false oath in his

bankruptcy papers by reporting current business income although the business closed more than six months pre-petition. The debtor agreed to convert his case to chapter 13.

***\$8500 Mortgage Payment Excessive for this Debtor! Dismissal Prevents Chapter 7 Discharge of \$599,938 in Unsecured Debt***

On December 27, 2007, the Bankruptcy Court for the Central District of California dismissed for abuse the case of a debtor, preventing the chapter 7 discharge of \$599,938 in unsecured debt. The U.S. Trustee's Los Angeles office sought dismissal on the grounds that the debtor's \$8,500 monthly mortgage expense was excessive and unreasonable. The expense constituted more than 63 percent of his gross monthly income and more than five times the applicable IRS Local Standard for a five-person household.

***Nice Rolex! Dismissal Prevents Discharge of \$521,751 in Unsecured Debt***



On December 14, 2007, the Bankruptcy Court for the Central District of California dismissed the case of a debtor as a bad faith filing. The U.S. Trustee's Woodland Hills office established that the debtor incurred over \$300,000 in gambling debt on credit cards, obtained a Rolex watch valued at over \$4,000, incurred \$20,000 in cellular and telephone charges, and leased a BMW (on which he made no payments), even though he earned little to no income and had no plans to become employed. The court granted the UST's motion to dismiss under 11 U.S.C. § 707(b)(3), preventing the discharge of \$521,751.94 in listed unsecured debt.



## United State Trustees National Meeting April 2008



From left to right, Acting UST Sara Kistler - Region 17; UST Bill Neary - Region 11; AUST L. Charmayne Mills - Region 16; UST Don Walton - Region 21



From left to right, UST Mike Bolen - Region 5; UST Peter Anderson - Region 16; Assistant Director of Research & Planning Phil Crewson; and Assistant Director for Administration Santal Manos



From left to right, Executive Assistant to the Director Debbie Catapano Catapano; UST Richard Clippard - Region 8; UST Habbo Fokkena - Region 9 & 12; and UST Charles McVay - Region 7 & 19



From left to right, Cliff White - USTP Director, Jake Miller - Acting UST Region 18, Nancy Gargula - UST Regions 10 & 13





## Miscellaneous News



### Long Time Federal Government Employee Retires!



Trish Beary and son Paul at their April 2nd Retirement Luncheon. Trish was with the Federal Government for over 25 years.



### EOUST Issues First Annual Public Report on Debtor

As required by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005, on April 29, 2008, the Executive Office for United States Trustees issued its first annual Public Report on Debtor Audits by the United States Trustee Program for Fiscal Year 2007. The full report can be accessed at [www.usdoj.gov/ust](http://www.usdoj.gov/ust).

### Director Cliff White Testifies before Senate Judiciary Committee's Subcommittee on Administrative Oversight and the Courts

On May 6, 2008, Director Cliff White testified at a hearing of the Senate Judiciary Committee's Subcommittee on Administrative Oversight and the Courts entitled "Policing Lenders and Protecting Homeowners: Is Misconduct in Bankruptcy Fueling the Foreclosure Crisis?". His written statement can be found at [www.usdoj.gov/ust](http://www.usdoj.gov/ust).